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TO RUEHC/SECSTATE WASHDC 2531
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS COLL
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 3056
RUEHBJ/AMEMBASSY BEIJING 5949
RUEHBY/AMEMBASSY CANBERRA 3637
RUEHLO/AMEMBASSY LONDON 0929
RUCNDT/USMISSION USUN NEW YORK 1040
RHEHNSC/NSC WASHDC

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SIPDIS

DEPT FOR OES, EAP
USTR FOR DBROOKS
USAID FOR ANE, EGAT
TREASURY FOR KBERG
BANGKOK FOR RDM/A

E.O. 12958: N/A

TAGS: [SENV](#) [EAGR](#) [KGGH](#) [ECON](#) [PGOV](#) [ID](#)

SUBJECT: USG Partner Launches 1st Green Stock Index in SE Asia

11. On June 8, the Indonesia Stock Exchange and the Indonesian Biodiversity Foundation (KEHATI) launched an investment index intended to raise awareness of companies' environmental and social

track records. Named the Sustainable and Responsible Investment index (or SRI-KEHATI), it is the second single-nation sustainability index in Asia (the first is in Japan) and the first in Southeast Asia, according to KEHATI. The index uses a rating methodology that takes into account companies' behavior towards the environment and communities as well as good corporate governance.

12. SRI-KEHATI is comprised of 25 companies in Indonesia judged the best of a larger list of nominated companies. Companies eligible for nomination must have a minimum of 1 trillion rupiah (approximately \$100,000,000) in total assets, a positive price-earnings ratio, and at least 10 percent of its shares on a free float. (Note: The latter requirement excludes most if not all foreign natural-resource companies, among others, from the index, because they tend to be wholly-owned subsidiaries or joint-venture partnerships. End Note.) SRI-KEHATI then considers six additional criteria to select the top 25 nominated companies: environment conservation, community development, corporate governance, human rights, business behavior and labor practices. The current 25 companies include a palm oil firm, three miners and two cement companies, as well as several banks.

13. SRI-KEHATI will update its index twice a year, on the first stock market day in February and August, taking into account the total number of outstanding stocks and any event affecting the stocks that comprise this index. KEHATI used transaction and financial data from January 2007 to April 2009, to back-test SRI-KEHATI and verify the reliability of its selection criteria. The results, claim KEHATI, show that SRI-KEHATI outperformed the Indonesia Composite Index (IHSG) over that period.

14. KEHATI is an independent nongovernmental organization whose mission is to support and facilitate biodiversity conservation in Indonesia through grant-making. It was established in 1995 with USG technical assistance as well as an initial grant of \$16.5 million for an endowment fund. From 1996 to 2007, the endowment generated more than \$17 million in returns, of which over two-thirds have been disbursed in pursuit of KEHATI's mission. KEHATI is also one of two NGOs (the other is Conservation International, or CI) participating in the Tropical Forest Conservation Act (TFCA) deal that the USG is finalizing with the Government of Indonesia. KEHATI and CI are each contributing \$1 million towards the deal.

NORTH